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Subject: *Defense Logistics: Department of Defense's Annual Report on the Status of Prepositioned Materiel and Equipment Can Be Enhanced to Better Inform Congress*

The Department of Defense (DOD) prepositions equipment at strategic locations around the world in order to field combat-ready forces in days, rather than the weeks it would take if equipment had to be moved from the United States to the locations of conflicts. DOD's prepositioned stock programs support the National Military Strategy and are an important part of its overall strategic mobility framework. Prepositioned materiel and equipment have played an important role in supporting ongoing operations in Iraq and Afghanistan. However, sustained continuing operations in Iraq and Afghanistan have taken a toll on the condition and readiness of military equipment. In April 2008 we testified that it was unclear when these critical reserve stocks would be reconstituted or how much the total cost would be.<sup>1</sup> The Army and Marine Corps face a number of ongoing and long-term challenges that will affect both the timing and the cost of equipment repair and replacement—particularly to its prepositioned stocks.<sup>2</sup> DOD has reported to Congress that the military services are committed to resetting prepositioned materiel but must balance its efforts within the priorities of reorganization of those prepositioned capabilities and changes in overseas military presence.<sup>3</sup> In June 2008, DOD issued an instruction on the War Reserve Materiel Policy. In the instruction, DOD established a Global Prepositioned Materiel Capabilities Working Group to, among other things, address joint issues concerning war reserve risk assessments provided by the military departments and the Defense Logistics Agency, initiate programs as needed, and make recommendations for war reserves that balance resources against operational risk.<sup>4</sup>

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<sup>1</sup>GAO, *Force Structure: Restructuring and Rebuilding the Army Will Cost Billions of Dollars for Equipment but the Total Cost Is Uncertain*, GAO-08-669T (Washington, D.C.: Apr. 10, 2008).

<sup>2</sup>GAO, *Defense Logistics: Preliminary Observations on Equipment Reset Challenges and Issues for the Army and Marine Corps*, GAO-06-604T (Washington, D.C.: Mar. 30, 2006); GAO, *Defense Logistics: Preliminary Observations on the Army's Implementation of Its Equipment Reset Strategies*, GAO-07-439T (Washington, D.C.: Jan. 31, 2007).

<sup>3</sup>DOD, *Report on Department of Defense Programs for Prepositioning of Materiel and Equipment: Interim Submission: Way Ahead to Comprehensive Review and Discussion of Current Service Prepositioning Strategies* (Sept. 19, 2007).

<sup>4</sup>Department of Defense Instruction 3110.06, *War Reserve Materiel (WRM) Policy* (June 23, 2008).

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Over the last few years, we have identified a number of ongoing and long-term challenges that will affect both the timing and the cost of reconstituting prepositioned stocks.<sup>5</sup> For example, the Army conducted a reassessment of its current Army Prepositioned Stocks (APS) strategy in fiscal year 2006, resulting in programwide changes in the structure and employment concepts to ensure the APS can support both steady-state and surge requirements. In addition, the Marine Corps is in the process of transforming its Maritime Prepositioning Force by incorporating more flexible capability sets to enable a variety of missions, while the Navy continues to transform its expeditionary medical capability, including moving from 500-bed fleet hospitals to smaller 250-bed modular units. Similarly, the Air Force is in the process of shifting from its historical emphasis on air-deployable assets to new deployment configurations that reduce its reliance on airlift by prepositioning materiel on land and on ships.

The National Defense Authorization Act for Fiscal Year 2008 (NDAA)<sup>6</sup> added an annual reporting requirement to Title 10 of the United States Code,<sup>7</sup> directing DOD to submit a report to the congressional defense committees on the status of prepositioned materiel and equipment as of the end of each fiscal year, no later than the date of the submission of the President's annual budget requests. The report is required to address the following six elements: (1) the level of fill for major end items of equipment and spare parts, (2) the materiel condition of equipment in the prepositioned stocks, (3) a list of major end items drawn from prepositioned stocks that fiscal year and a description of how the equipment was used and whether it was returned to the stocks after its use, (4) a timeline for completely reconstituting any shortfall in the prepositioned stocks, (5) an estimate of the funding required to completely reconstitute any shortfall in the prepositioned stocks and a description of the Secretary's plan for carrying out the reconstitution, and (6) a list of any operations plans affected by a shortfall in the prepositioned stocks and a description of the action taken to mitigate any risk created by that shortfall. In the conference report accompanying the NDAA,<sup>8</sup> the conferees expressed their belief in the strategic importance of the collection and placement of military materiel and supplies in locations around the world to facilitate and speed response to crisis or contingencies. The conferees communicated their awareness that current stocks of prepositioned materiel and equipment have been depleted to support operations in Iraq and Afghanistan. DOD submitted its report on the status of its prepositioned equipment and materiel for the time period of October 2007 to March 2008 to Congress in August 2008. The annual reporting requirement directs us to review DOD's annual reports and submit to the

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<sup>5</sup>GAO, *Defense Logistics: Better Management and Oversight of Prepositioning Programs Needed to Reduce Risk and Improve Future Programs*, GAO-05-427 (Washington, D.C.: Sept. 6, 2005); GAO, *Defense Logistics: Improved Oversight and Increased Coordination Needed to Ensure Viability of the Army's Prepositioning Strategy*, GAO-07-144 (Washington, D.C.: Feb. 15, 2007); GAO, *Defense Logistics: Army and Marine Corps Cannot Be Assured That Equipment Reset Strategies Will Sustain Equipment Availability While Meeting Ongoing Operational Requirements*, GAO-07-814 (Washington, D.C.: Sept. 19, 2007); GAO, *Defense Logistics: Army Has Not Fully Planned or Budgeted for the Reconstitution of Its Afloat Prepositioned Stocks*, GAO-08-257R (Washington, D.C.: Feb. 8, 2008); GAO, *Military Readiness: Impact of Current Operations and Actions Needed to Rebuild Readiness of U.S. Ground Forces*, GAO-08-497T (Washington, D.C.: Feb. 14, 2008); GAO-08-669T.

<sup>6</sup>Pub. L. No. 110-181, §352 (2008).

<sup>7</sup>10 U.S.C. §2229a.

<sup>8</sup>H.R. Conf. Rep. No. 110-477, at 884 (2007).

congressional defense committees any additional information that will further inform such committees on issues relating to the status of the materiel in prepositioned stocks no later than 120 days after the date on which DOD submits its report to Congress.

For this report, our objectives are to determine the extent to which (1) DOD's report addresses the six elements in the annual reporting requirement and (2) what additional information in future DOD reports on the status of its prepositioned materiel and equipment could further inform congressional defense committees on issues relating to the status of prepositioned materiel and equipment. We compared DOD's report with the statutory reporting requirements to assess the extent to which DOD provided information for each of the six elements required in the annual report. We also examined GAO and DOD reports on the services' prepositioned stock programs, collected readiness data on the services' materiel and equipment sets, reviewed relevant DOD and service policies, and met with DOD and service officials to determine whether additional information could further inform Congress on the status of prepositioned materiel and equipment. We reviewed the services' funding estimates and funding best practices identified in GAO reports<sup>9</sup> to determine if the estimates and plans were transparent and comprehensive. While we did not independently assess the data DOD provided to Congress, we discussed the reliability of the systems used to develop the report data with service officials and determined that the data are sufficiently reliable to meet the objectives of this engagement. A more detailed discussion of our scope and methodology is included in enclosure I. We conducted this performance audit from August 2008 to December 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Summary

While DOD addresses the six elements required in its annual report,<sup>10</sup> the services' information varied due to differences in the configuration of their prepositioned materiel and equipment. For example, the Army and Marine Corps reported their prepositioned materiel and equipment by major end item,<sup>11</sup> such as Abrams tanks or Bradley fighting vehicles. However, the Navy and Air Force configure their prepositioned equipment based on capabilities such as Navy medical facilities or Air Force refueling capabilities. The Navy provided data on materiel and equipment capabilities including medical facility and civil engineering support equipment, while the Air Force provided data on materiel and equipment capabilities to establish air bases. Army and Marine Corps officials agreed

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<sup>9</sup>GAO, *Force Structure: Need for Better Transparency for the Army's Grow the Force Funding Plan*, GAO-08-354R (Washington, D.C.: Jan. 18, 2008); GAO-08-669T.

<sup>10</sup>10 U.S.C. §2229a.

<sup>11</sup>According to the Department of Defense, Supply Chain Materiel Management Regulation, DoD 4140.1-R, AP1.1.11.7 (May 23, 2003), a major end item is a final combination of end products that is ready for its intended use.

that the list of major end items compiled by the Joint Staff in response to the annual reporting requirement represented their prepositioned materiel and equipment. The law also requires the services to report on the status and condition of spare parts. The Navy and Marine Corps provided data on spare parts, but the Army and Air Force did not do so because they track spare parts differently. According to officials, the Army reports the readiness of spare parts as part of its equipment end item readiness. The Air Force tracks spare parts as part of its peacetime stocks rather than with its War Reserve Materiel (WRM) program,<sup>12</sup> which includes prepositioned materiel and equipment for base support of ground operations. In addition to reporting on the status and condition of their prepositioned materiel and equipment, the services reported on the status of equipment drawn from and returned to prepositioned stocks during the reporting period of October 1, 2007, to March 31, 2008, to support ongoing operations or training exercises; timelines ranging from 2010 to 2015 to reconstitute shortfalls in stocks; funding estimates to reconstitute those shortfalls; and the risk to operations plans that would be affected by any shortfall in prepositioned stocks and subsequent mitigation strategies.

In future DOD reports on the status of its prepositioned materiel and equipment, additional information on funding requirements for the services' prepositioned programs and risk to current operations and concept plans could further inform congressional defense committees. The services provided the Joint Staff with an estimate of the amount of funds required to reconstitute shortfalls of prepositioned materiel and equipment as required. However, overall funding estimates on equipment and materiel shortages alone do not provide a means to measure the services' progress toward meeting long-term prepositioning goals or provide the visibility to inform congressional decision making. Consistent with best practices to provide clear funding plans to support decision making, funding estimates should be transparent, comprehensive, easily replicated, and updated to help ensure the validity of the estimate.<sup>13</sup> In addition to the required estimate to reconstitute shortfalls, presenting funding requirements by year and appropriation accounts, similar to DOD's annual budget request presentation, in one report to Congress would provide a more comprehensive, detailed estimate of the services' requirements for prepositioned materiel and equipment. Detailed funding estimates would provide a means to measure the services' progress towards meeting long-term prepositioning goals. While the services listed operations plans affected by shortfalls in prepositioned stocks, as required, additional information on the effect of prepositioned equipment shortfalls on current operations such as ongoing operations in Iraq and Afghanistan and concept plans such as plans for the defense of one country against invasion from another country, would provide greater disclosure and visibility over other possible risks. Without information on other possible risks, Congress may not be fully informed on the range of military options available in times of crisis.

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<sup>12</sup>While the Army, Marine Corps, and Navy use the term Prepositioned Stock program, the Air Forces uses the term War Reserve Materiel program.

<sup>13</sup>GAO-08-354R; GAO-08-669T.

To provide Congress with the visibility to better assess the status and condition of DOD's prepositioned materiel and equipment, we recommend that the Secretary of Defense direct the Joint Staff and the Secretaries of the military services to provide, in addition to the six elements currently required in the annual report, a more comprehensive picture of the services' requirements for prepositioned stocks by including funding requirements by year and appropriation accounts similar to the level of detail provided in the annual budget request presentation. To ensure that Congress is aware of other potential risks created by shortages of prepositioned materiel and equipment, we also recommend that the Secretary of Defense direct the Joint Staff and the Secretaries of the military services to include in DOD's prepositioned equipment report to Congress current operations and concept plans risks and mitigation strategies. In commenting on a draft of this report, the department concurred with the first recommendation and nonconcurred with the second recommendation. Because we continue to believe that identifying specific risks to current operations and concept plans created by the unavailability of prepositioned materiel and equipment will help to better inform Congress, we have added a matter for congressional consideration that suggests Congress may wish to require DOD to provide additional information on the effect of prepositioned equipment shortfalls. DOD also provided a number of technical comments separately, which we considered and incorporated as appropriate. The department's comments and our evaluation of those comments are discussed in detail in a later section of this report. DOD's written comments are reprinted in enclosure II.

## **Background**

Each military service maintains different configurations and types of materiel and equipment to support its prepositioned stock program. The services' prepositioned stock programs are briefly described below.

**Table 1: Description of DOD's Prepositioning Stock Programs**

Service	Types of stocks	Description
Army APS 1-5	Brigade Combat Team (BCT) sets	<ul style="list-style-type: none"> <li>Stored at land sites and aboard prepositioning ships</li> <li>Sets are designed to support 3,000 to 5,000 soldiers</li> <li>Abrams tanks, Bradley infantry fighting vehicles, High Mobility Multi-purpose Wheeled Vehicles, support trucks, and vehicles</li> <li>Spare parts and other sustainment stocks to support the early stages of a conflict</li> </ul>
	Sustainment stocks	<ul style="list-style-type: none"> <li>Stored at land sites and aboard prepositioning ships</li> <li>Replacement equipment for losses in early stages of operations or until resupply is established</li> <li>Includes major end items such as tracked vehicles</li> <li>Secondary items such as meals, clothing, petroleum supplies, construction materials, ammunition, medical materials, and repair parts</li> </ul>
	Operational project stocks	<ul style="list-style-type: none"> <li>Stored at land sites and aboard prepositioning ships</li> <li>Authorized material above unit authorizations designed to support Army operations or contingencies</li> <li>Equipment and supplies for special operations forces, bare base sets, petroleum and water distribution, mortuary operations, and prisoner-of-war operations</li> </ul>
Marine Corps MPSRON 1-3	Forward deployed; Maritime Prepositioning Force (MPF)	<ul style="list-style-type: none"> <li>Consists of 16 prepositioning ships organized into three squadrons</li> <li>Each squadron supports about 16,000 Marines and sailors for up to 30 days</li> <li>Includes combat systems, communications systems, construction equipment, munitions, medical supplies, and sustainment stocks</li> </ul>
	Prepositioning program—Norway	<ul style="list-style-type: none"> <li>Several land sites located in central Norway</li> <li>Designed to support a Marine Expeditionary Brigade (MEB) with select types and classes of vehicles, equipment, and supplies</li> <li>Includes vehicles, engineering equipment, munitions, rations, and other equipment that will be used to support any geographic combatant command</li> </ul>
Navy MPSRON 1-3	Navy prepositioned assets	<ul style="list-style-type: none"> <li>Assets are stored aboard MPF ships and at land sites</li> <li>Equipment to offload prepositioning ships, including material handling equipment, ramps and barges, landing and amphibious craft, and bulk fuel</li> <li>Construction equipment such as cranes, forklifts, trucks, and tractor trailers</li> <li>Includes 3,000 fleet hospital beds</li> </ul>
Air Force various geographic locations	Bare base sets	<ul style="list-style-type: none"> <li>Base operating support equipment and supplies used to house forces at austere bare base forward operating locations</li> <li>Supports up to 77,500 personnel and 850 combat/mobility aircraft at up to 15 forward operating locations worldwide</li> <li>Includes housekeeping sets for personnel life support, industrial operations sets to establish expeditionary airbase infrastructure, and flight line (flying) operations sets</li> </ul>
	Operational stocks	<ul style="list-style-type: none"> <li>Direct and indirect mission support equipment and vehicles for up to 43 forward operating locations to support major combat operations (MCO) and vignettes as specified in DOD's Integrated Security Posture (ISP) and Strategic Planning Guidance</li> <li>Includes equipment stored at forward operating locations (land bases) worldwide to provide direct mission support, such as aerospace ground equipment for flying operations, fuels operational readiness capability equipment (FORCE) for aircraft refueling, and general aviation support</li> <li>Includes both general purpose vehicles such as trucks, buses, and vans, and special purpose vehicles such as material handling equipment, fire trucks, and civil engineering construction equipment</li> </ul>

Service	Types of stocks	Description
	Other aviation support equipment and supplies	<ul style="list-style-type: none"> <li>Includes other war reserve materiel sustainment equipment and supplies such as rations, munitions stored at land sites and aboard prepositioning ships, petroleum (aircraft fuel), oils, lubricants at multiple locations and centralized storage locations globally</li> </ul>

Source: GAO.

The Army and Marine Corps programs maintain sets of materiel and equipment by support unit or brigade type through land and ship storage facilities. The Navy and Air Force maintain materiel that support capabilities through land and ship storage facilities. For example, the Navy maintains fleet hospitals and plans to transform to expeditionary medical facilities in its program by fiscal year 2013. The Air Force maintains a Basic Expeditionary Airfield Resources (BEAR) package that provides basing assets at austere airfields and Fuels Operational Readiness Capability Equipment (FORCE) to provide fueling capabilities in areas without supporting infrastructure.

We and other audit agencies have reported in the past on numerous long-standing problems facing DOD's prepositioning programs, including a lack of centralized operational direction, unreliable reporting on the maintenance condition of equipment, equipment excesses at some prepositioning locations, and systemic problems with requirements determination and inventory management. In September 2005, we recommended that DOD develop a coordinated departmentwide plan and joint doctrine for the department's prepositioning programs.<sup>14</sup> In February 2007, we reported that while the Army expected to finalize its implementation plan for prepositioned stocks by December 31, 2006, DOD would not complete its departmentwide strategy before mid-April 2007.<sup>15</sup> We recommended that the Secretary of Defense direct the Secretary of the Army to take steps to synchronize the Army's prepositioning strategy with the DOD-wide strategy in order to ensure that future investments made for the Army's prepositioning program would align with the anticipated DOD-wide prepositioning strategy. DOD generally concurred with our recommendations. The John Warner National Defense Authorization Act for Fiscal Year 2007<sup>16</sup> required DOD to establish a strategic policy on its programs for the prepositioning of materiel and equipment by April 2007. In February 2008, we reported that DOD officials believed the publication of the War Reserve Materiel Policy and Joint Strategic Capability Plan<sup>17</sup> satisfied the requirement of the John Warner National Defense Authorization Act for Fiscal Year 2007. We further stated that the publication of the War Reserve Materiel Policy and Joint Strategic Capability Plan did not satisfy the requirement.<sup>18</sup> However, during our current review, DOD officials stated that in response to our recommendations to develop a coordinated departmentwide prepositioning strategic policy, they established the Global Prepositioned Materiel

<sup>14</sup>GAO-05-427.

<sup>15</sup>GAO-07-144.

<sup>16</sup>Pub. L. No. 109-364, §351 (2006), codified at 10 U.S.C. §2229.

<sup>17</sup>The Joint Strategic Capability Plan apportions resources to the combatant commanders. It covers a 2-year period and provides strategic guidance to the combatant commanders, Joint Chiefs of Staff members, and heads of defense agencies and departments.

<sup>18</sup>GAO-08-257R.



Capabilities Working Group in June 2008, to address joint issues on prepositioned materiel and equipment.<sup>19</sup>

### **DOD's Report Addresses the Six Reporting Requirements but Is Limited**

While DOD addresses the six elements required by the statute<sup>20</sup> in its annual report, the services' information varied due to differences in the configuration of their prepositioned materiel and equipment. Based on the required elements set out in the law, the Joint Staff developed a data collection template for the services to complete. Each service responded to the Joint Staff request for information based on the services' individual configuration of prepositioned materiel and equipment. The Army and Marine Corps reported on the first element of the statute by major end item. Army and Marine Corps officials told us that they agreed that the list of major end items provided by the Joint Staff represented their prepositioned materiel and equipment. However, the Navy and Air Force do not configure their prepositioned materiel and equipment by major end item, therefore, they did not report the status of prepositioned materiel and equipment in terms of major end items. The Navy configures its prepositioned materiel and equipment by capability. The Navy provided data on the status of its expeditionary medical facility, civil engineering support equipment, and spare parts. The Air Force configures its prepositioned materiel and equipment based on the Air Force's capability to establish air bases and refueling capabilities, and it provided data on the status of these capabilities. While the law also requires the services to report on the status of spare parts, the Navy and Marine Corps provided data on spare parts, but the Army and Air Force did not because of the way in which they track spare parts. According to Army officials, they did not report on the status of spare parts as required because they report readiness of spare parts as part of their equipment end item readiness. The Air Force did not include spare parts, as required, because aircraft spare parts are not part of the Air Force WRM program and nonaircraft spare parts are included in the BEAR set reporting. Air Force officials said that 5 years ago the service made the decision to increase the efficiency of aircraft spare parts management by eliminating aircraft spare parts from the WRM program and combining them with peacetime stocks. While all of the services responded to the annual reporting requirement by providing information on the status and condition of their prepositioned materiel and equipment, each service based its responses to the annual reporting requirement on the configuration of its prepositioned materiel and equipment, which does not include all of the categories of data required, such as major end items and spare parts. By employing a reporting format restricted to major end items and spare parts, DOD's report may not capture the status and condition of all prepositioned stocks. Additional information from the services on materiel and equipment in their prepositioned stocks could provide Congress with the visibility to better assess the status and condition of DOD's prepositioned stock programs to support its decision-making process.

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<sup>19</sup>Department of Defense Instruction 3110.06.

<sup>20</sup>10 U.S.C. §2229a.

In addition to responding to the status and condition of their prepositioned materiel and equipment, the services reported, as required, on the status of equipment drawn from and returned to prepositioned stocks during the reporting period of October 1, 2007, to March 31, 2008; the timelines to reconstitute shortfalls in stocks; estimates of funding required to reconstitute those shortfalls; and the risk to operations plans that would be affected by any shortfall in prepositioned stocks and subsequent mitigation strategies for associated risks. The services reported that equipment drawn from and returned to prepositioned stocks during the reporting period was primarily used to support ongoing operations or for training exercises. We previously reported that the Army's previous strategy, *APS Strategy 2013*, did not clearly identify reconstitution requirements, and neither the Army nor Congress could be assured it had the visibility needed for its decision-making process.<sup>21</sup> The Army is now pursuing the *Army Prepositioned Stocks Strategy 2015 (APS Strategy 2015)* to replenish all equipment sets by 2015.<sup>22</sup> The Marine Corps estimates that it will complete the reconstitution of its Maritime Prepositioning Squadrons by 2012. The Air Force projects that it will be able to reconstitute the WRM assets it uses to configure aircraft for various operational missions such as Air Force tanks, racks, adaptors, and pylons by 2015, with reconstitution of BEAR, basic expeditionary airfield resources, by 2013, and major improvements to specific subsystems of BEAR by 2010.

### **Additional Information on Prepositioned Stock Funding Requirements and Risks to Current Operations and Concept Plans Could Further Inform Congress**

In future DOD reports on the status of its prepositioned materiel and equipment, additional information on funding requirements for the services' prepositioned stocks and risks to current operations and concept plans in addition to operations plans could further inform congressional defense committees.

While the services provided estimates of funding required to reconstitute shortfalls in their prepositioned materiel and equipment in the annual report as required, providing more detailed information about estimated funding requirements for prepositioned stocks would further inform Congress. As we have previously reported, consistent with best practices, funding estimates should be transparent, comprehensive, and easily replicated, and updated to help ensure the validity of the estimate.<sup>23</sup> During our review, the Army, Air Force, and Navy provided additional funding data. The Army provided additional funding data by equipment set, year, and appropriation accounts, while the Air Force provided data by set, appropriation accounts, and the year in which the set would be fully reconstituted. The Navy provided additional funding data by year and appropriation accounts. However, the Marine Corps did not provide additional funding data at this level of detail. Marine Corps officials stated that because cost estimates to reconstitute its prepositioned stocks are included in its overall procurement account,

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<sup>21</sup>GAO-08-257R.

<sup>22</sup>The Army issued a Prepare to Deploy Order adding an Infantry Brigade Combat Team (IBCT) equipment set to support Central Command requirements. The Army plans to relocate the IBCT set to its afloat stocks in the future.

<sup>23</sup>GAO-08-354R.

additional detailed funding requirements cannot be identified separately. Requests for funding for prepositioned stocks span two-to-three appropriation accounts including Operation and Maintenance, Procurement, and Research, Development, Test, and Evaluation. Presenting funding requirements by year and appropriation accounts, similar to the level of detail DOD provides in its annual budget request presentation, in one report to Congress would provide a more comprehensive detailed estimate of the services' requirements for prepositioned materiel and equipment.<sup>24</sup> In addition, we have also recommended that DOD take a more strategic approach to decision making to promote transparency and ensure investments in equipping its forces are made based on sound, comprehensive plans.<sup>25</sup> Providing funding estimates on equipment and materiel shortages alone does not provide a means to measure the services' progress toward meeting long-term prepositioning goals or provide visibility to Congress to inform its decision-making process in times of crisis.

As part of the annual report, DOD provided a classified annex of operations plans<sup>26</sup> affected by shortfalls in its prepositioned stocks including risk mitigation strategies. All four services reported on operations plans affected by prepositioned stock shortfalls as required by the law. Additional information was provided to the Joint Staff on the effect of prepositioned equipment shortfalls on current operations and concept plans<sup>27</sup> in order to provide a complete status of prepositioned stock programs. Current operations include ongoing operations in such places as Iraq and Afghanistan. Concept plans include plans for the defense of one country against invasion of another country. Providing information to Congress on the effect of prepositioned equipment shortfalls on current operations and concept plans would provide greater disclosure and visibility over other possible risks. Without information on other possible risks, DOD and Congress may not be fully informed on the range of military options available in times of crisis.

## Conclusions

Prepositioned materiel and equipment have been vital to ongoing operations in Iraq and Afghanistan over the past several years. Providing more detailed estimates of funding required for the services' prepositioned stocks by year and appropriation accounts, similar to DOD's annual budget request presentation, would provide Congress a more transparent and comprehensive picture of the services' funding needs for prepositioned materiel and equipment toward meeting long-term prepositioning goals and provide Congress the visibility to support its decision-making process. Finally, information on the current operations and concept plans, in addition to operations plans, affected by shortfalls in prepositioned stocks as well as actions taken to mitigate the resulting risks

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<sup>24</sup>Presenting funding requirements by prepositioned set may make the document classified.

<sup>25</sup>GAO-08-354R, GAO-08-669T.

<sup>26</sup>Operations plans are complete and detailed joint plans identifying specific forces, functional support, and resources required to execute the plan and estimates for flow of forces into theater.

<sup>27</sup>Concept plans are operations plans in an abbreviated format that may require considerable expansion or alteration to convert it into an operations plan.

would better inform DOD and Congress on the range of military options that could be considered in times of crisis.

### **Recommendations for Executive Action**

To provide Congress with the visibility to better assess the status and condition of DOD's prepositioned materiel and equipment, we recommend that the Secretary of Defense direct the Joint Staff and the Secretaries of the military services to provide, in addition to the six elements currently required in the annual report, (1) a more comprehensive picture of the services' funding requirements for prepositioned stocks by providing funding requirements by year and appropriation accounts similar to the level of detail provided in the annual budget request presentation, and (2) information on the effect of prepositioned equipment shortfalls on current operations and concept plans, including risks and mitigation strategies to provide better visibility over possible risks.

### **Matter for Congressional Consideration**

To improve visibility over possible risks to current operations and concept plans and related mitigation strategies, Congress may wish to consider requiring the Secretary of Defense to provide information in the annual report on the effect of prepositioned equipment shortfalls on current operations and concept plans, as well as actions taken to mitigate the risks caused by the shortfalls.

### **Agency Comments and Our Evaluation**

In commenting on a draft of this report, DOD concurred with our first recommendation and nonconcurred with the second recommendation. In response to our first recommendation that the Secretary of Defense provide a more comprehensive picture of the services' requirements for prepositioned stocks by including funding requirements by year and appropriation accounts similar to the level of detail provided in the annual budget presentation, DOD commented that it will implement this recommendation in its fiscal year 2009 report to Congress, which will be delivered in early 2010.

In response to our second recommendation that the Secretary of Defense provide additional information on the effect of prepositioned equipment shortfalls by including risks to current operations and concept plans and related mitigation strategies to provide better visibility over other possible risks, DOD stated that it believes that the annual Chairman's Risk Assessment<sup>28</sup> already provides a comprehensive and more holistic

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<sup>28</sup>Section 153 of Title 10 of the United States Code requires the Chairman to submit a report to the Secretary of Defense with the Chairman's assessment of the nature and magnitude of the strategic and military risks associated with executing the missions called for under the National Military Strategy no later than January 1st of each odd-numbered year. The law requires the Secretary to forward this report as well as his comments, if any, to Congress with the department's next annual budget submission. If the Chairman's assessment indicates that the risk associated with executing the missions called for under the

approach to risks and mitigation strategies. Specifically, DOD commented that the annual Chairman's Risk Assessment, submitted to the President and Secretary of Defense, along with the Presidential Budget Request to Congress, considers not only shortfalls in prepositioning programs, but also all factors relating to DOD readiness and strategy. Consequently, DOD believes that reporting additional risks and mitigation strategies for current operations and concept plans of only the prepositioned programs could result in suboptimized decision making. The Chairman's Risk Assessment, however, is a broad assessment of DOD's ability to execute the global missions specified in its National Military Strategy and may not specifically address the effect of prepositioned equipment shortages on individual operations or specific concept plans. We continue to believe that identifying specific risks to current operations and concept plans created by the unavailability of prepositioned equipment and materiel, along with related mitigation strategies, will help to better inform Congress of the potential ramifications associated with specific shortages of prepositioned stocks. The House Armed Services Committee, for example, recently reported that the committee continues to be concerned about the lack of availability of prepositioned stocks of combat equipment and noted that the recent drawdown of prepositioned stocks has increased the time it will take to deploy equipment to a contingency.<sup>29</sup> Given these congressional concerns regarding the unavailability of prepositioned stocks and the potential detrimental effect on DOD's ability to respond to potential future contingencies, we continue to believe that DOD's subsequent annual reports on the status of its prepositioned materiel and equipment should include risks to current operations and concept plans and related mitigation strategies.

DOD also provided a number of general and technical comments, which we have considered and incorporated as appropriate. A copy of DOD's written comments is included in enclosure II.

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We are sending copies of this report to the appropriate congressional committees; the Secretary of Defense; the Chairman of the Joint Chiefs of Staff; the Secretaries of the Army, the Navy, and the Air Force; and the Commandant of the Marine Corps.

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National Military Strategy is significant, the Secretary shall include his plan for mitigating that risk when he forwards the report to Congress. The law also requires the Chairman to submit a report containing the results of a comprehensive examination of the National Military Strategy to the Senate and House Committees on Armed Services no later than February 15th of each even-numbered year.

<sup>29</sup>H.R. Rep. No. 110-652, at 288 (2008).

In addition, this report will be available at no charge on GAO's Web site at <http://www.gao.gov>. If you or your staff members have any questions regarding this report, please contact me at (202) 512-8365 or [solisw@gao.gov](mailto:solisw@gao.gov). Contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in enclosure III.

A handwritten signature in black ink, appearing to read 'W. Solis', with a long horizontal flourish extending to the right.

William M. Solis, Director  
Defense Capabilities and Management

*List of Committees*

The Honorable Carl Levin  
Chairman  
The Honorable John McCain  
Ranking Member  
Committee on Armed Services  
United States Senate

The Honorable Daniel K. Inouye  
Chairman  
The Honorable Thad Cochran  
Ranking Member  
Subcommittee on Defense  
Committee on Appropriations  
United States Senate

The Honorable Ike Skelton  
Chairman  
The Honorable Duncan L. Hunter  
Ranking Member  
Committee on Armed Services  
House of Representatives

The Honorable John P. Murtha  
Chairman  
The Honorable C.W. Bill Young  
Ranking Member  
Subcommittee on Defense  
Committee on Appropriations  
House of Representatives

## Enclosure I

### Scope and Methodology

To evaluate the Department of Defense's (DOD) report on the status of its prepositioned stocks, we compared DOD's report to the congressional defense committees with the statutory reporting requirements to assess the extent to which DOD provided information on each of the six elements required in the annual report. We obtained and analyzed data from the Joint Staff, Army, Marine Corps, Navy, and Air Force that described the status of materiel and equipment in the prepositioned stocks. We reviewed DOD and service guidance and strategies that guide the prepositioned stock programs to understand the variations of information reported by the services on the status of prepositioned materiel and equipment. After analyzing the data, we met with appropriate Joint Staff and service officials to discuss the methodology used to collect and report materiel status, the differences in service programs, and the reliability of data from systems the services used to report the status of their prepositioned stocks. We also examined GAO and DOD reports on the services' prepositioned stock programs, collected readiness data on the services' materiel and equipment sets, reviewed relevant DOD and service guidance, and met with DOD and service officials to determine whether additional information could further inform Congress on the status of prepositioned materiel and equipment. We reviewed the services' funding estimates and funding best practices identified in GAO reports<sup>30</sup> to determine if the estimates and plans were transparent and comprehensive. While we did not independently assess the data DOD provided to Congress, we discussed the reliability of the systems used to develop the report data with service officials and determined that the data are sufficiently reliable to meet the objectives of this engagement. During this audit engagement, we met with officials from the Office of the Assistant Deputy Under Secretary of Defense for Supply Chain Integration; Office of the Joint Chiefs of Staff, Logistics; Army Deputy Chief of Staff, Program Analysis & Evaluation Directorate; Army Deputy Chief of Staff, Operations and Plans; Army Deputy Chief of Staff, Logistics; Army Materiel Command; Army Aviation and Missile Command; Army Sustainment Command; Headquarters Marine Corps Installations & Logistics; Chief of Naval Operations, Logistics Operations Branch; Naval Facilities Naval Expeditionary Program Office; Headquarters Air Force Plans and Integration, and Air Force Air Combat Command. We conducted this performance audit from August 2008 through December 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>30</sup>GAO, *Force Structure: Need for Better Transparency for the Army's Grow the Force Funding Plan*, GAO-08-354R (Washington, D.C.: Jan. 18, 2008); GAO, *Force Structure: Restructuring and Rebuilding the Army Will Cost Billions of Dollars for Equipment but the Total Cost Is Uncertain*, GAO-08-669T (Washington, D.C.: Apr. 10, 2008).



## Enclosure II

### Comments from the Department of Defense



DEPUTY UNDER SECRETARY OF DEFENSE FOR  
LOGISTICS AND MATERIEL READINESS  
3500 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3500

December 8, 2008

Mr. William M. Solis  
Director, Defense Capabilities and Management  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, DC 20548

Dear Mr. Solis:

This is the Department of Defense (DoD) response to the GAO draft report, GAO-09-147R, "*DEFENSE LOGISTICS: Department of Defense's Annual Report on the Status of Prepositioned Materiel and Equipment Can Be Enhanced to Better Inform Congress*," dated November 7, 2008 (GAO Code 351247). Detailed comments on the report recommendations are enclosed.

The DoD concurs with the draft report's recommendation to provide a more comprehensive picture of the Services' requirements for prepositioned stocks. The DoD non-concurs with the GAO's recommendation to provide additional reporting information regarding current operations and concept plans because the Department already provides a comprehensive and more holistic approach to risk and mitigation strategies each year with its submission of the Chairman's Risk Assessment. The rationale for the Department's position is attached.

The Department appreciates the opportunity to comment on the draft report. Technical comments are provided separately. For further questions concerning this report, please contact Col Arnold Holcomb, 703-604-0098 extension 108, email [arnold.holcomb@osd.mil](mailto:arnold.holcomb@osd.mil).

Sincerely,

  
Jack Bell

Enclosure:  
As stated



**GAO DRAFT REPORT – DATED NOVEMBER 7, 2008  
GAO CODE 351247/GAO-09-147R**

***"DEFENSE LOGISTICS: Department of Defense's Annual Report on the Status of  
Prepositioned Materiel and Equipment Can Be Enhanced to Better Inform Congress"***

**DEPARTMENT OF DEFENSE COMMENTS  
TO THE RECOMMENDATIONS**

**RECOMMENDATION 1:** The GAO recommends that the Secretary of Defense direct the Joint Staff and the Secretaries of the military Services to provide, in addition to the six elements currently required in the annual report, a more comprehensive picture of the Services' requirements for prepositioned stocks by including funding requirements by year and appropriation account similar to the level of detail provided in the annual budget request presentation.

**DOD RESPONSE:** Concur. The Department will implement this recommendation into the FY09 report to Congress, to be delivered in early 2010. An attempt to incorporate the change into the full FY08 report would cause excessive delay in delivering the final product to Congress.

**RECOMMENDATION 2:** The GAO recommends that the Secretary of Defense direct the Joint Staff and the Secretaries of the military Services to provide, in addition to the six elements currently required in the annual report, additional information on the affect of prepositioned equipment shortfalls by including risks to current operations and concept plans and mitigation strategies to provide better visibility over other possible risks.

**DOD RESPONSE:** Non-concur. The Department already provides a comprehensive and more holistic approach to risk and mitigation strategies each year with its submission of the Chairman's Risk Assessment. The annual Chairman's Risk Assessment, submitted to the President and Secretary of Defense along with the Presidential Budget Request to Congress, considers not only shortfalls in prepositioning programs, but also all factors relating to DoD readiness and strategy. Reporting additional risks and mitigation strategies for current operations and concept plans of only the prepositioned programs could result in sub-optimized decision making. Therefore, the Department does not concur with including additional risks and mitigation strategies as part of the Department of Defense's Annual Report on the Status of Prepositioned Materiel and Equipment.

## Enclosure III

### GAO Contact and Staff Acknowledgments

GAO Contact William M. Solis, (202) 512-8365 or [solisw@gao.gov](mailto:solisw@gao.gov)

Staff Acknowledgments In addition to the contact named above, David A. Schmitt, Assistant Director; Stacy Bennett; Meghan Cameron; Nicole Harms; Joanne Landesman; Elizabeth D. Morris; Charles Perdue; Terry Richardson; Donna M. Rogers; and Christopher T. Watson made contributions to this report.

(351247)

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